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ADMINISTRATIVE AND BUDGETARY MATTERS

Proposed revised budget for the biennium 1994-1995 and proposed outline for the biennium 1996-1997 for the Fund of the United Nations International Drug Control Programme

Report of the Executive Director

*E/CN.7/1995/1.

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CONTENTS

	Paragraphs	Page
Part One: General overview	1-38	4
I. EXECUTIVE SUMMARY	1-6	4
A. Proposed revised budget for the biennium 1994-1995	3	4
B. Proposed outline for the biennium 1996-1997	4-6	4
II. DRAFT RESOLUTION	7	7
III. FINANCIAL SITUATION	8-12	8
IV. PROGRAMME SUPPORT COST ARRANGEMENTS	13-19	9
V. PRESENTATION	20-35	11
A. Commission on Narcotic Drugs	21-25	11
B. Advisory Committee on Administrative and Budgetary Questions	26-35	12
VI. METHODOLOGY	36-38	14
Part Two: Proposed revised budget for the biennium 1994-1995	39-52	15
VII. OVERVIEW	39-43	15
VIII. PROPOSED REVISED BUDGET FOR THE BIENNIUM 1994-1995	44-50	20
A. Headquarters	44-45	20
B. Field operations	46-47	20
C. Project activities	48-50	20
IX. EXPENDITURE ESTIMATE FOR 1994	51-52	21
Part Three: Proposed outline for the biennium 1996-1997	53-93	23
X. OVERVIEW	53-61	23
XI. HEADQUARTERS	62-64	26
XII. FIELD OPERATIONS	65-68	26
XIII. PROJECT ACTIVITIES	69-93	27
A. Sectoral description	73-77	27
B. Regional presentation	78-93	28

	Paragraphs	Page
1. Africa	79-81	28
2. Asia and the Pacific	82-84	29
3. Europe and the Middle East	85-88	30
4. Latin America and the Caribbean	89-91	30
5. Global activities	92-93	31
Glossary		33

Tables

1. Summary of 1994-1995 budget and 1996-1997 outline 6
2. Financial statements 1994-1995 and 1996-1997 9
3. 1994-1995 budget by programme and region 16
4. 1994-1995 budget by object of expenditure 17
5. 1994-1995 budget for project activities by region and sector 18
6. 1994-1995 budget for project activities by sector and region 19
7. 1994-1995 revised budget and 1994 expenditure estimate 22
8. Summary of 1996-1997 outline 25
9. 1996-1997 outline for project activities by sector and region 25

Part One

GENERAL OVERVIEW

I. EXECUTIVE SUMMARY

1. The present report of the Executive Director contains the proposed revised budget for the biennium 1994-1995 and proposed outline for the biennium 1996-1997 for the Fund of the United Nations International Drug Control Programme (UNDCP), in accordance with Commission on Narcotic Drugs resolution 13 (XXXVI) of 7 April 1993.

2. The General Assembly, in its resolution 45/179 of 21 December 1990, established UNDCP as the single body responsible for consolidated international action in the field of drug abuse control. The Commission provides legislative overview and policy guidance to UNDCP and approves the budget of the Fund of UNDCP. The activities supported by the Fund are an integral part of UNDCP, which also carries out work under the regular budget of the United Nations.

A. Proposed revised budget for the biennium 1994-1995

3. The proposed revised budget for the biennium 1994-1995 amounts to 190,641,600 United States dollars (US$). Compared with the approved initial budget for the biennium 1994-1995 of $187,889,300, that reflects an increase of $2,752,300 for recosting. The revised regular budget of UNDCP amounts to $14,693,900, as approved by General Assembly resolution 49/220 of 23 December 1994, reflecting an increase of $695,200.

B. Proposed outline for the biennium 1996-1997

4. The proposed outline for the biennium 1996-1997 amounts to $151,172,100. Compared with the revised budget for the biennium 1994-1995 of $190,641,600, that reflects an increase of $10,530,500 for recosting and a resource decrease in real terms of $50,000,000, or 26.2 per cent. The substantial reduction of 26.2 per cent in real terms in budgetary allocations for the biennium is necessitated by a decrease in available resources caused by a gradual depletion of the fund balance and by a projected overall decline in voluntary contributions in dollar terms. Should additional resources be forthcoming prior to the presentation of the proposed initial programme budget for the biennium 1996-1997, essential activities will be reactivated or strengthened and corresponding increases will be reflected in the proposed budgetary allocations in accordance with the approved priorities for the proposed outline for the biennium 1996-1997.

5. A resource reduction of the size envisaged can only be accomplished by making severe cuts in a number of activities, and in some cases discontinuing activities identified by the Commission and interested governments as being priorities. Within those limitations, the strategy for the outline can be broadly described as follows:

(a) To pursue a globally balanced approach, reflected most clearly in an increasing emphasis on demand reduction activities, in particular the prevention of drug abuse;

(b) To support Governments in their own efforts to develop a comprehensive approach, particularly through the adoption of drug control master plans which, as problem assessment and

priority-setting documents, form the foundation for effective drug control at the national and regional levels;

(c) To promote and support subregional cooperation, based on intercountry arrangements and joint implementation;

(d) To strengthen the catalytic function that UNDCP is called upon to perform to establish synergies among the United Nations agencies and other partners in development, including international financial institutions, and to relate the issue of drugs to socio-economic development concerns;

(e) To mobilize governmental and non-governmental partners in the field of drug control.

6. A summary of the revised budget for the biennium 1994-1995 and of the proposed outline for the biennium 1996-1997 is shown in table 1.

Table 1. Summary of 1994-1995 budget and 1996-1997 outline
(Thousands of United States dollars)

Regular budget of UNDCP	Fund of UNDCP								
					1996-1997 Resource growth				
1994-1995 revised budget	Segment	1994-1995 initial budget	Recosting	1994-1995 revised budget	Amount	Rate (%)	Total before recosting	Recosting	1996-1997 outline
14 693.9	Headquarters	15 036.5	110.1	15 146.6	--	--	15 146.6	871.5	16 018.1
--	Field operations	12 838.5	951.8	13 790.3	(1 500.0)	(10.9)	12 290.3	1 573.1	13 863.4
--	Project activities	160 014.3	1 690.4	161 704.7	(48 500.0)	(30.0)	113 204.7	8 085.9	121 290.6
14 693.9	TOTAL	187 889.3	2 752.3	190 641.6	(50 000.0)	(26.2)	140 641.6	10 530.5	151 172.1

Note: Negative values are indicated in parentheses.

II. DRAFT RESOLUTION

7. The following draft resolution, recommended to the Commission for adoption, summarizes the main issues contained in the present report.

Revised budget for the biennium 1994-1995 and outline for the biennium 1996-1997 for the Fund of the United Nations International Drug Control Programme

The Commission on Narcotic Drugs,

Bearing in mind the administrative and financial functions entrusted to it by the General Assembly in its resolution 46/185 C, section XVI, paragraph 2, of 20 December 1991,

Recalling its resolutions 12 (XXXVI) and 13 (XXXVI) of 7 April 1993 and 14 (XXXVI) of 17 December 1993,

Having considered the report of the Executive Director of the United Nations International Drug Control Programme containing the proposed revised budget for the biennium 1994-1995 and proposed outline for the biennium 1996-1997 for the Fund of the United Nations International Drug Control Programme,[1]

Taking into consideration the report of the Advisory Committee on Administrative and Budgetary Questions[2] related to the proposed revised budget for the biennium 1994-1995 and proposed outline for the biennium 1996-1997 for the Fund of the United Nations International Drug Control Programme,

1. Approves the revised budget estimate for the biennium 1994-1995 totalling ... United States dollars, for the Fund of the United Nations International Drug Control Programme in accordance with the following areas:

	United States dollars
Headquarters	...
Policy-making organs	...
Executive direction and management	...
Programme of work	...
Programme support	...
Field operations	...
Project activities	...

2. Takes note of the outline for the biennium 1996-1997, totalling ... United States dollars, for the Fund of the Programme in accordance with the following areas:

	United States dollars
Headquarters	...
Field operations	...
Project activities	...

3. Also takes note of the distribution of resources between the regions and sectors as proposed in the revised budget for the biennium 1994-1995 and the outline for the biennium 1996-1997 for the Fund of the United Nations International Drug Control Programme;

4. Considers the proposed outline to provide a basis for the submission by the Executive Director of the proposed initial programme budget for the biennium 1996-1997;

5. Notes that the budgetary allocations should correspond to the availability of resources anticipated at the time the proposed initial programme budget for the biennium 1996-1997 is presented.

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[1]E/CN.7/1995/17.
[2]E/CN.7/1995/...

III. FINANCIAL SITUATION

8. The financial situation of the Fund of UNDCP has undergone a marked transition. Despite the increase in expenditures, UNDCP was able to build up a fund balance based on a number of exceptional contributions during previous years. The turning-point was reached in 1992-1993 with expenditure exceeding income by $2,859,939. It is estimated that the operating deficit will be significantly higher during the bienniums 1994-1995 and 1996-1997.

9. Income is expected to decline from $137,557,433 in 1992-1993 to $134,478,800 in 1994-1995 and to $122,035,200 in 1996-1997. Governments will continue to be the dominant source of income for UNDCP. Whereas UNDCP continues to rely heavily on the support of one donor country, it is expected that other donors will carry an increasingly larger financial burden. Cost-sharing contributions from Governments are expected to increase from $520,082 in 1992-1993 to $2,221,000 in 1994-1995 and $3,452,800 in 1996-1997. Public donations will remain limited. Continuing support is expected from a Japanese non-governmental organization. Interest income will decline substantially in accordance with the decline in the fund balance.

10. Expenditure is expected to increase from $140,417,372 in 1992-1993 to $190,641,600 in 1994-1995, followed by a decrease to $151,172,100 in 1996-1997. The decrease between 1994-1995 and 1996-1997 amounts to $39,469,500 in nominal terms and $50,000,000, or 26.2 per cent, in real terms, as shown in table 1 above.

11. The widening gap between income and expenditure will lead to a rapid decline of the fund balance from $86,911,243 at the end of 1993 to $26,829,700 at the end of 1995. Based on current income projections, the fund balance is expected to be reduced to $771,400 at the end of the 1996-1997 biennium. New pledges and commitments by donors will therefore be required to provide the necessary means for maintaining the 1996-1997 level of activities during the coming bienniums.

12. The financial situation for the bienniums 1994-1995 and 1996-1997 is illustrated in table 2.

Table 2. Financial statements, 1994-1995 and 1996-1997
(Thousands of United States dollars)

Income	1994-1995 General-purpose funds	1994-1995 Special-purpose funds	1994-1995 Total funds	1996-1997 General-purpose funds	1996-1997 Special-purpose funds	1996-1997 Total funds
Income and expenditure statement						
Income						
Pledged contributions	59 265.5	67 315.4	126 580.9	60 210.0	58 825.2	119 035.2
Public donations	--	933.5	933.5	--	1 000.0	1 000.0
Interest income	3 602.0	3 362.4	6 964.4	800.0	1 200.0	2 000.0
Total	62 867.5	71 611.3	134 478.8	61 010.0	61 025.2	122 035.2
Expenditure						
Headquarters and field operations						
Central programme	23 357.6	--	23 357.6	26 593.7	--	26 593.7
Programme support (UNDCP)	3 113.5	2 465.8	5 579.3	1 269.0	2 018.8	3 287.8
Total, A	26 471.1	2 465.8	28 936.9	27 862.7	2 018.8	29 881.5
Project activities						
Project	66 412.4	87 799.4	154 211.8	43 836.2	71 731.7	115 567.9
Programme support (agencies)	2 587.2	4 905.7	7 492.9	1 706.6	4 016.1	5 722.7
Total, B	68 999.6	92 705.1	161 704.7	45 542.8	75 747.8	121 290.6
TOTAL, A and B	95 470.7	95 170.9	190 641.6	73 405.5	77 766.6	151 172.1
Operational results	(32 603.2)	(23 559.6)	(56 162.8)	(12 395.5)	(16 741.4)	(29 136.9)
Fund balance						
Fund balance 31 December 1993, 1995	47 239.7	39 671.5	86 911.2	10 980.3	15 849.3	26 829.7
(+) Operational result	(32 603.2)	(23 559.6)	(56 162.8)	(12 395.5)	(16 741.4)	(29 136.9)
(-) Operating reserve, current	7 446.7	7 423.3	14 870.0	5 725.6	6 065.7	11 791.4
(+) Operating reserve, previous	3 790.6	7 160.8	10 951.4	7 446.7	7 423.3	14 870.0
Fund balance 31 December 1995, 1997	10 980.3	15 849.3	26 829.7	305.9	465.5	771.4

Note: Negative values are indicated in parentheses.

IV. PROGRAMME SUPPORT COST ARRANGEMENT

13. It is recalled that the Executive Director suggested in paragraph 38 of document E/CN.7/1993/15 that the Commission may wish to request a study on programme support requirements for submission to its thirty-eighth session. In addition, the Advisory Committee on Administrative and Budgetary Questions (ACABQ) recommended in paragraph 24 of document E/CN.7/1993/17 to the reconvened thirty-sixth session of the Commission that the Executive Director should submit a progress report on the programme support cost arrangement in the context of the revised budget for 1994-1995. Although the Commission did not endorse that recommendation, it is considered appropriate to present a report on the progress achieved and to inform the Commission of future plans in the area of programme support costs.

14. Implementation of the new programme support cost arrangement outlined in document E/CN.7/1993/15 started in 1994. It is based on a programme support rate of up to 13 per cent for technical and administrative support. There is a clear understanding that the actual support costs are considerably higher with the additional costs being shared between funding, executing and recipient organizations. In order to limit the additional support cost for the participating organizations, emphasis is given to charging all direct costs to the project budget. The new programme support cost arrangement also provides for a clear definition of the role of the participating organization.

15. The information given in table 2 provides an indication of the results of the new programme support arrangement. As anticipated, programme support income of UNDCP has increased. Income is expected to increase from $2,820,689 in 1992-1993 under the old programme support arrangement to $5,579,300 in 1994-1995 following the new approach. This has limited the need to provide additional support for technical and administrative backstopping from the central budget of UNDCP. In addition, the share of programme support income generated from activities funded from special-purpose resources has increased in accordance with initial expectations. The new programme support arrangement has resulted in a more balanced distribution of programme support charges between general-purpose and special-purpose funds. Programme support income is expected to decline to $3,287,800 in 1996-1997 as a result of the proposed decline in project activities from $161,704,700 in 1994-1995 to $121,290,600 in 1996-1997. In addition, the share of projects implemented by UNDCP is expected to be reduced during 1996-1997, with corresponding increases for executing agencies and government execution, thus contributing to the decline in programme support income for UNDCP.

16. As outlined in paragraph 38 of document E/CN.7/1993/15, the Executive Director will present a detailed proposed programme support cost budget for the biennium 1996-1997 to the reconvened thirty-eighth session of the Commission, together with the proposed programme budget for the same biennium. The programme support cost budget would replace the current arrangement by which programme support income is utilized to cover staff costs at UNDCP headquarters as a lump sum. The decision to present a consolidated programme support cost budget is also in accordance with the observation by ACABQ as outlined in paragraph 22 of document E/CN.7/1993/17, in which ACABQ expressed the opinion that a consolidated presentation of the programme support budget is more transparent in showing the scope of support and related costs compared to the current lump-sum arrangement.

17. On the basis of the estimates given in table 2, the programme support income for the biennium 1996-1997 is expected to amount to $3,287,800, providing the financial framework for establishing the budget. Following a preliminary review of the requirements of the various offices of UNDCP, it is expected that most of the programme support resources will be provided to the Division for Operational Activities and Technical Services of UNDCP. A smaller share will be proposed for the Policy, Planning and Evaluation Office, the Resource Mobilization and Inter-agency Coordination Office and the Programme Support Section.

18. In paragraph 21 of document E/CN.7/1993/17, ACABQ expressed the view that national non-governmental executing agencies should be provided with a share of administrative and programme support

costs to reimburse some of their costs for management, support and promotion of such projects. From the outset, this has been the case for the programme support arrangement of UNDCP. As outlined in paragraph 35 of document E/CN.7/1993/15, programme support of up to 13 per cent is provided to national non-governmental executing agencies. The level of reimbursement is determined on a project-by-project basis. For example, in the case of the two executing agencies, Environmental Development Action and Study of International Relations and Development, a programme support rate of 7 per cent is paid by UNDCP.

19. During the first year of its implementation, the new programme support cost arrangement has achieved the intended results. On the basis of the United Nations model, it is simple to administer and provides for an adequate sharing of programme support cost between all participating organizations.

V. PRESENTATION

20. The format for the revised budget follows the model already utilized for the proposed initial programme budget for the biennium 1994-1995 (E/CN.7/1993/14). The level of detail provided in the revised budget is guided by the budgetary concepts utilized for the first performance report for the regular budget of the United Nations and similar reports presented by major programmes of the United Nations. The presentation reflects the guidance received by the Commission, in particular as outlined in resolution 14 (XXXVI). In addition, the conclusions and recommendations of the ACABQ as put forward in documents E/CN.7/1993/17 and E/CN.7/1993/11 are fully taken into account. Finally, a number of improvements have been introduced by the Executive Director in the format of the revised budget and the format of the outline. In the following, a detailed response is provided to the recommendations and guidance received.

A. Commission on Narcotic Drugs

21. In paragraph 3 of its resolution 14 (XXXVI) of 17 December 1993, the Commission reaffirmed the guidelines for the preparation and presentation of the budget proposals as set out in paragraph 3 of its resolution 13 (XXXV) of 15 April 1992 and in paragraph 2 of its resolution 13 (XXXVI) of 7 April 1993. It should be recalled that the guidelines call for a description of the following: (a) the general criteria to be applied by the Executive Director of UNDCP in the utilization of resources; (b) the goals and objectives of the programmes and operational activities covered in the budget, including indicators for the evaluation of expected results; and (c) trust funds supported from voluntary contributions for specific purposes. In paragraph 2 of resolution 13 (XXXVI), the Commission also specifies that the implementation of the guidelines contained in paragraph 3 (c) should be consistent with the Financial Regulations and Rules of the United Nations.

22. As regards paragraph 3 (a) on general criteria, a detailed response has been provided in paragraphs 136 to 142 of document E/CN.7/1993/14. With regard to paragraph 3 (b), the goals and objectives of the programme and operational activities are elaborated in the context of the proposed outline for the biennium 1996-1997 and anchored in the main legislative mandates of UNDCP. In addition to the main mandates described in the proposed initial programme budget for the biennium 1994-1995, the General Assembly, in its resolution 48/12 of 28 October 1993, on measures to strengthen international cooperation against the illicit production, sale, demand, traffic and distribution of narcotic drugs and psychotropic substances and related activities, provides for the orientation of UNDCP during the outline period 1996-1997. The issue of indicators for the evaluation of expected results, also noted in paragraph 3 (b), is currently being addressed by UNDCP. A working group has been established to examine and propose the introduction of comprehensive and consistent performance indicators for project activities, which can also be reflected in the context of the programme budget presentation. The working group is scheduled to conclude in time to present the new system as part of the proposed initial programme budget for the biennium 1996-1997.

23. With regard to paragraph 3 (c) on the opening of trust funds, it should be noted that a detailed response had been provided in paragraph 16 of document E/CN.7/1993/14. As noted, UNDCP administers special-purpose contributions under subaccounts of the Fund of UNDCP and not in separate trust funds in order to avoid duplication and proliferation of funds and additional administrative costs. This practice is in full conformity with the Financial Regulations and Rules of the United Nations. The information requirements of the Commission on the utilization of the various contributions to UNDCP, in particular as concerns special-purpose contributions, had been addressed in document E/CN.7/1993/14/Add.1. The document was submitted to the reconvened thirty-sixth session as part of the programme budget for the biennium 1992-1993 and 1994-1995, presenting all ongoing projects by providing, among other things, a project abstract and financial information, listing budget estimates, expenditure records and funding information by donor. The document reflected information available four months prior to the start of the 1994-1995 biennium, and presented 85 projects already approved for 1994-1995 with an aggregate budget of approximately 29.6 per cent of the total 1994-1995 budget volume approved for project activities. In response to paragraph 3 (c) of resolution 13 (XXXV) and as a background document for the consideration of the proposed revised budget for the biennium 1994-1995 and proposed outline for the biennium 1996-1997, the compendium of ongoing projects has been updated and submitted to the thirty-eighth session of the Commission in document E/CN.7/1995/CRP.1.

24. In paragraph 9 of resolution 14 (XXXVI), the Commission requested the Executive Director to review the proposed distribution of resources at the headquarters of UNDCP, to enhance programme delivery and cost-effectiveness and to report accordingly. The outline for the biennium 1996-1997 provides for a tentative redeployment of resources at headquarters within a proposed maintenance outline. Detailed proposals will be submitted in the context of the proposed initial programme budget for the biennium 1996-1997.

25. In paragraph 10 of resolution 14 (XXXVI), the Commission requested the Executive Director, in view of the potential difficulties in fully financing the proposed programme in the biennium 1994-1995, to report to the Commission at its thirty-eighth session on how he intends to balance the financial situation by the end of the biennium within the resources available at the time. The financial situation for the biennium 1994-1995 and 1996-1997 is illustrated in section III above. A resource mobilization strategy has been outlined in the report of the Executive Director on the activities of UNDCP (E/CN.7/1995/2).

B. Advisory Committee on Administrative and Budgetary Questions

26. In the report E/CN.7/1993/17 of ACABQ, a number of recommendations were made to improve the format of the proposed initial programme budget which can also be applied to the revised budget. In paragraph 3 of its report, ACABQ recommended streamlining the presentation through a consolidation of tables. In response to the latter recommendation and in order to enhance transparency of the proposals and facilitate a better understanding of the budgetary issues involved, the proposed revised budget and proposed outline includes only nine tables as compared with 23 in the performance report for the biennium 1992-1993 and the initial budget for the biennium 1994-1995.

27. In paragraph 4, ACABQ recommended that a comparison between resources available and the estimated level of expenditures should be included in the budget document. In addition, reference was made in paragraph 6 to the need to substantiate income estimates. This issue has already been addressed in paragraph 25 above in response to an observation by the Commission. The presentation of the financial situation in section III above provides detailed information on the income situation (pledged contributions, cost-sharing, public donations, interest income), the programme support arrangement, general-purpose and special-purpose funding and operating reserves.

28. In paragraph 5, ACABQ expressed the view that general criteria to be applied in the utilization of resources and the goals and objectives of the programme should be indicated in the initial programme budget.

As noted above in paragraph 22 in relation to a similar observation by the Commission, a detailed response has been provided in paragraphs 136 to 142 of document E/CN.7/1993/14.

29. In paragraph 7, ACABQ requested additional information on the nature and functioning of the operating reserve and the existing reserves of UNDCP in the budget document. In accordance with administrative instruction ST/AI/284 on general trust funds, an operating reserve of 15 per cent of annual expenditures is maintained by UNDCP to protect against unforseen shortfalls and to meet final expenditures, including liquidating liabilities in the event of abrupt terminations of activities. As shown in table 2, the operating reserve under the proposed revised budget for the biennium 1994-1995 amounts to $14,870,000. The operating reserve for the proposed outline 1996-1997 is estimated at $11,791,400.

30. Also in paragraph 7, ACABQ requested that the Executive Director indicate the special accounts for specific purposes established from earmarked contributions according to the Financial Regulations and Rules of the United Nations. In that connection, the Committee recalled that regulation 7.3 of the Financial Regulations and Rules stipulates that moneys accepted for purposes specified by the donor shall be treated as trust funds or special accounts, and regulations 6.6 and 6.7 provide that trust funds and special accounts established by the Secretary-General shall be reported to ACABQ with a clear definition of their purpose and limits. The same issue was addressed by the Commission in paragraph 3 (c) of resolution 14 (XXXVI). As outlined above in paragraph 23, the current practice is in full conformity with the Financial Regulations and Rules of the United Nations.

31. In paragraph 13, ACABQ commented on the ratio of staff between headquarters and the field and recommended that efforts be made to redeploy staff and related functions to field operations. That issue is discussed below in paragraph 60 of the proposed outline for the biennium 1996-1997. Essentially, the decentralization of authority is supported in principal, not necessarily the decentralization of resources. This issue will be examined again in the context of the proposed initial programme budget for the biennium 1996-1997.

32. In paragraph 14, ACABQ requested that the criteria for the establishment of new field offices should be clearly indicated. The rational for opening new offices or strengthening existing offices for the biennium 1994-1995 had been indicated in paragraphs 120 to 133 of the proposed initial programme budget (E/CN.7/1993/14). The issue is again discussed below in paragraphs 66 and 67 of the proposed outline for the biennium 1996-1997. A more detailed discussion of the issue will be included in the proposed initial budget for the biennium 1996-1997.

33. In paragraph 18, ACABQ suggested that the presentation of the programme support cost be improved. A report on the programme support cost arrangements is provided above in section IV on the programme support cost arrangement. As indicated, a detailed programme support cost budget will be submitted as part of the proposed initial programme budget for the biennium 1996-1997.

34. With regard to the format of the proposed outline, ACABQ provided some observations in the review of the outline for biennium 1994-1995. In paragraph 20 of document E/CN.7/1993/11, ACABQ noted that the outline should be concise, and not be presented as if it were a detailed budget proposal. Moreover, the outline should reflect current and projected income and expenditure and a broad allocation of resources in terms of the priorities of the programme. The guidance of ACABQ has been followed in the proposed outline for the biennium 1996-1997. However, unlike the outline for the regular budget of the United Nations which essentially presents financial estimates only, it was considered of interest to Member States to elaborate on the activities of UNDCP during the coming biennium. In particular, the project activities by region are outlined in more detail.

35. It should be noted that a number of recommendations put forward in the ACABQ report are seen to relate to the presentation of the performance report and the initial programme budget, and not necessarily

to the revised budget and the outline, such as the following: integration of detailed project information in the budget document and a more comprehensive presentation of the use of the Fund (paragraph 2); the review of the concept of expressing the budget for project activities as an estimate of expected expenditure rather than as an estimate of total project volume (paragraph 4); more detailed explanations of major changes in the performance report (paragraph 10); the selection of executing agencies (paragraph 11); and the distribution of resources at headquarters (paragraph 15). Those issues will be addressed in detail when presenting the proposed performance report for the biennium 1994-1995 and the initial programme budget for the biennium 1996-1997.

VI. METHODOLOGY

36. The recosting of the 1994-1995 budget of the Fund of UNDCP essentially follows the methodology used for the first performance report on the programme budget of the United Nations for the biennium 1994-1995 (A/C.5/49/43). The recosting adjusts the approved initial budget for variations in inflation and exchange rates and in standards assumed in the calculation of the proposed initial budget. The calculation of the 1996-1997 outline applies the new methodology approved for the proposed regular budget of the United Nations for the biennium 1994-1995. The starting-point is the proposed revised budget for the biennium 1994-1995 as presented in part two of the present report. The revised budget for the biennium 1994-1995 is used as the resource base against which resource growth is indicated. To facilitate a comparison, the resource growth is therefore expressed at the same prices assumed for the two years of the revised budget. That amount represents the real increase or decrease in requirements, which corresponds to the controllable elements of the budget estimates. Subsequently, the total sum of revised 1994-1995 estimates and resource growth at 1994-1995 prices is recosted to the 1996-1997 level by applying the appropriate rates. The recosting is based on information from 24 countries, representing the main areas of UNDCP operations. This information is made available from the International Civil Service Commission, the Programme Planning and Budget Division of the United Nations, the UNDCP expenditure database and the UNDCP field office network.

37. Revised exchange rates for the recosting of the 1994-1995 budget are based on actual operational rates for 1994, applying the December 1994 rates for 1995. The inflation rates are based on the consumer price indices. At some duty stations, where inflation is as volatile as the rate of exchange, the recosting would overstate requirements when applying the high rate of local inflation without anticipating parallel movements of exchange rates. In those cases, a moderate rate of increase has been selected for projections in 1995, which reflect the general inflation rate after adjustments for exchange rate movements. Adjustments using actual 1995 inflation and exchange rates will be made in the second and final revision of the budget estimates. The recosting also utilizes a system of standard salary costs, common staff costs and vacancy rates for international and General Service posts. Revisions to standard salary costs for 1994 are based on actual averages experienced so far in the biennium by category and level for the Vienna duty station and each of the four regions of UNDCP operations. Projections for 1995 are based on the average of the latest month available. Common staff costs are budgeted as a percentage of net salaries for the Vienna duty station and each of the four regions. Vacancy rates are calculated separately for international and General Service posts for the Vienna duty station and the four regions on the basis of actual expenditure data. In order to arrive at the 1996-1997 outline, the initial 1994-1995 budget is recosted, applying the 1995 inflation and exchange rates.

38. The approved outline for the biennium 1996-1997 provides the basis for calculating the initial programme budget for the biennium 1996-1997. The approved outline for the biennium 1996-1997 will therefore be recosted by using the rates prevailing at the time the initial budget for that biennium is presented to the reconvened thirty-eighth session of the Commission.

Part Two

PROPOSED REVISED BUDGET FOR THE BIENNIUM 1994-1995

VII. OVERVIEW

39. The revised budget for the biennium 1994-1995 amounts to $190,641,600. This compares with the approved initial budget for the biennium 1994-1995 of $187,889,300 and reflects an increase of $2,752,300 for recosting. The increase of $2,752,300 for recosting includes increases for posts at headquarters and field operations of $861,400 and an increase of $1,890,900 for other objects of expenditure. The increase of $1,890,900 for other objects of expenditure includes an increase of $3,922,400 for changes in inflation, partly offset by a decrease of $2,031,500 resulting from movements in exchange rates.

40. In addition to the Fund, resources are provided to UNDCP from the regular budget of the United Nations. The initial 1994-1995 appropriation amounted to $13,998,700 for section 14 (international drug control), which was increased by $695,200 to $14,693,900 in accordance with General Assembly resolution 49/220 of 23 December 1994. The amount of $695,200 includes an increase of $650,200 for the recosting of the initial 1994-1995 appropriation and an increase of $45,000 for decisions of policy-making organs.

41. The recosting adjusts the approved initial budget for variations in inflation and exchange rates and in standards assumed in the calculation of the proposed initial budget according to the methodology outlined in part one, section VI. The main reason for requesting net additional changes to the level of resources is to ensure that the approved budget is neither overstated, nor insufficient to implement the approved programme activities in conformity with the recommendation of ACABQ[1] endorsed by the General Assembly at its thirty-second session. Therefore, the recosting does not change the approved programme activities as described in the initial programme budget for the biennium 1994-1995 (E/CN.7/1993/14). This also implies that the number of approved posts remains unchanged, that is, 36 posts in the Professional category and above and 35 in the General Service category at headquarters, and 44 international posts and 85 local posts for field operations.

42. As part of the first revision of the budget for the biennium 1994-1995, expenditure details and project information is made available. The estimated expenditures for 1994 are indicated below in section III and compared to the proposed revised budget for the biennium 1994-1995. In addition, a progress report is submitted covering the programming of project activities. As part of the proposed initial programme budget, a compendium of ongoing projects was made available in document E/CN.7/1993/14/Add.1, reflecting the status of project programming four months prior to the start of the biennium 1994-1995. An update of the compendium of ongoing projects is submitted in document E/CN.7/1995/CRP.1, illustrating the status of programming as of 31 December 1994. This information provides the basis for a review of the realism of the proposed revised budget estimates for the biennium 1994-1995.

43. The revised budget for the biennium 1994-1995 is illustrated in tables 3 to 6. The 1994-1995 budget by programme and region is shown in table 3, and by object of expenditure in table 4. The 1994-1995 budget for project activities is illustrated further by region and sector in tables 5 and 6.

Table 3. 1994-1995 budget by programme and region
(Thousands of United States dollars)

Regular budget of UNDCP		Fund of UNDCP		
1994-1995 revised budget	Programme and region	1994-1995 initial budget	Recosting	1994-1995 revised budget
	A. Headquarters			
985.6	Policy-making organs	126.1	2.7	128.8
1 511.2	Executive direction and management	2 927.0	(4.3)	2 922.7
12 197.1	Programme of work	7 878.0	25.1	7 903.1
--	Programme support	4 105.4	86.6	4 192.0
14 693.9	Total, A	15 036.5	110.1	15 146.6
	B. Field operations			
--	Africa	2 319.2	202.6	2 521.8
--	Asia and the Pacific	5 145.3	(88.3)	5 057.0
--	Europe and the Middle East	950.5	185.3	1 135.8
--	Latin America and the Caribbean	4 423.5	652.2	5 075.7
--	Total, B	12 838.5	951.8	13 790.3
	C. Project activities			
--	Africa	12 961.3	371.7	13 333.0
--	Asia and the Pacific	49 668.8	95.6	49 764.4
--	Europe and the Middle East	10 991.4	99.4	11 090.8
--	Latin America and the Caribbean	64 165.0	881.2	65 046.2
--	Global	22 227.8	242.5	22 470.3
--	Total, C	160 014.3	1 690.4	161 704.7
14 693.9	TOTAL, A, B and C	187 889.3	2 752.3	190 641.6

Note: Negative values are indicated in parentheses.

Table 4. 1994-1995 budget by object of expenditure
(Thousands of United States dollars)

Regular budget of UNDCP		Fund of UNDCP		
1994-1995 initial budget	Object of expenditure	1994-1995 initial budget	Recosting	1994-1995 revised budget
	A. Headquarters			
11 836.6	Posts	10 963.5	34.9	10 998.4
239.1	Other staff costs	103.5	4.7	108.2
813.0	Consultants and experts	787.5	(3.9)	783.6
1 130.6	Travel on official business	997.1	21.5	1 018.6
421.7	Contractual services	82.2	1.1	83.3
24.0	General operating expenses	640.2	18.4	658.6
179.2	Supplies and materials	84.1	3.3	87.4
49.7	Furniture and equipment	164.3	6.6	170.9
--	Other expenditure	1 214.1	23.5	1 237.6
14 693.9	Total, A	15 036.5	110.1	15 146.6
	B. Field operations			
--	Posts	9 052.2	826.9	9 879.1
--	Travel on official business	1 010.5	23.7	1 034.2
--	General operating expenses	1578.3	81.6	1 659.9
--	Supplies and materials	309.5	11.6	321.1
--	Furniture and equipment	888.0	8.0	896.0
--	Total, B	12 838.5	951.8	13 790.3
	C. Project activities			
--	Project staff	32 219.6	449.5	32 669.1
--	Consultants and experts	4 130.3	1.2	4 131.5
--	Travel on official business	4 024.8	30.6	4 055.4
--	Contractual services	32 835.9	344.1	33 180.0
--	General operating expenses	6 338.5	163.0	6 501.5
--	Supplies and materials	5 049.1	122.6	5 171.7
--	Furniture and equipment	46 232.5	174.7	46 407.2
--	New premises	1 640.7	35.8	1 676.5
--	Fellowships and grants	21 285.6	303.8	21 589.4
--	Programme support	6 257.3	65.1	6 322.4
--	Total, C	160 014.3	1 690.4	161 704.7
14 693.9	TOTAL, A, B and C	187 889.3	2 752.3	190 641.6

Note: Negative values are indicated in parentheses.

Table 5. 1994-1995 budget for project activities by region and sector
(Thousands of United States dollars)

Region and sector	1994-1995 initial budget	Recosting	1994-1995 revised budget
Africa			
Control measures	4 038.0	97.9	4 135.9
Demand reduction	5 015.9	160.1	5 176.0
Supply reduction	504.6	11.3	515.9
Multisector	3 402.8	102.4	3 505.2
Total	12 961.3	371.7	13 333.0
Asia and the Pacific			
Control measures	10 943.7	8.6	10 952.3
Demand reduction	11 369.7	15.7	11 385.4
Supply reduction	9 688.3	22.2	9 710.5
Multisector	17 667.1	49.1	17 716.2
Total	49 668.8	95.6	49 764.4
Europe and the Middle East			
Control measures	3 664.7	29.6	3 694.3
Demand reduction	1 637.1	13.0	1 650.1
Supply reduction	2 774.3	35.6	2 809.9
Multisector	2 915.3	21.2	2 936.5
Total	10 991.4	99.4	11 090.8
Latin America and the Caribbean			
Control measures	12 164.9	114.4	12 279.3
Demand reduction	19 921.9	283.2	20 205.1
Supply reduction	30 789.7	464.7	31 254.4
Multisector	1 288.5	18.9	1 307.4
Total	64 165.0	881.2	65 046.2
Global			
Control measures	7 049.3	74.5	7 123.8
Demand reduction	8 349.6	92.3	8 441.9
Supply reduction	844.4	10.7	855.1
Multisector	5 984.5	65.0	6 049.5
Total	22 227.8	242.5	22 470.3
All sectors			
Control measures	37 860.6	325.0	38 185.6
Demand reduction	46 294.2	564.3	46 858.5
Supply reduction	44 601.3	544.5	45 145.8
Multisector	31 258.2	256.6	31 514.8
TOTAL	160 014.3	1 690.4	161 704.7

Table 6. 1994-1995 budget for project activities by sector and region
(Thousands of United States dollars)

Sector and region	1994-1995 initial budget	Recosting	1994-1995 revised budget
Control measures			
Africa	4 038.0	97.9	4 135.9
Asia and the Pacific	10 943.7	8.6	10 952.3
Europe and the Middle East	3 664.7	29.6	3 694.3
Latin America and the Caribbean	12 164.9	114.4	12 279.3
Global	7 049.3	74.5	7 123.8
Total	37 860.6	325.0	38 185.6
Demand reduction			
Africa	5 015.9	160.1	5 176.0
Asia and the Pacific	11 369.7	15.7	11 385.4
Europe and the Middle East	1 637.1	13.0	1 650.1
Latin America and the Caribbean	19 921.9	283.2	20 205.1
Global	8 349.6	92.3	8 441.9
Total	46 294.2	564.3	46 858.5
Supply reduction			
Africa	504.6	11.3	515.9
Asia and the Pacific	9 688.3	22.2	9 710.5
Europe and the Middle East	2 774.3	35.6	2 809.9
Latin America and the Caribbean	30 789.7	464.7	31 254.4
Global	844.4	10.7	855.1
Total	44 601.3	544.5	45 145.8
Multisector			
Africa	3 402.8	102.4	3 505.2
Asia and the Pacific	17 667.1	49.1	17 716.2
Europe and the Middle East	2 915.3	21.2	2 936.5
Latin America and the Caribbean	1 288.5	18.9	1 307.4
Global	5 984.5	65.0	6 049.5
Total	31 258.2	256.6	31 514.8
All regions			
Africa	12 961.3	371.7	13 333.0
Asia and the Pacific	49 668.8	95.6	49 764.4
Europe and the Middle East	10 991.4	99.4	11 090.8
Latin America and the Caribbean	64 165.0	881.2	65 046.2
Global	22 227.8	242.5	22 470.3
TOTAL	160 014.3	1 690.4	161 704.7

VIII. PROPOSED REVISED BUDGET FOR THE BIENNIUM 1994-1995

A. Headquarters

44. The 1994-1995 revised budget for headquarters amounts to $15,146,600. That compares with the approved initial budget of $15,036,500 for the biennium 1994-1995 and reflects an increase of $110,100 for recosting. The amount of $110,100 for recosting includes increases for posts amounting to $34,900 and for other objects of expenditure amounting to $75,200. Increases for posts of $34,900 are attributed to higher standard salary costs, partly offset by decreases as a result of higher vacancy rates. The amount of $75,200 in other objects of expenditure reflects increases for changes in exchange rates of $110,000, partly offset by decreases of $35,800 for changes in inflation.

45. The increase in requirements for posts is the result of higher standard salary costs, partly offset by a decrease in resources due to a higher vacancy rate than initially anticipated for posts in the Professional category and above, as well as for General Service posts. The increase resulting from variations in exchange rates reflects less favourable rates than foreseen in the proposed initial budget - down from 11.70 schillings to the United States dollar for the biennium as a whole, to an average of 11.41 for 1994 and 10.90 for 1995. The decrease for inflation corresponds to lower inflation rates prevailing in 1994 than initially assumed for the Vienna duty station, down from 3.6 per cent to 3.1 per cent for expenditure based on the schilling, and down from 3.7 per cent to 2.4 per cent for expenditure based on the United States dollar.

B. Field operations

46. The 1994-1995 revised budget for field operations amounts to $13,790,300. This compares with the approved initial budget of $12,838,500 for the biennium 1994-1995 and reflects an increase of $951,800 for recosting. The amount of $951,800 for recosting includes increases for posts amounting to $826,500 and for other objects of expenditure amounting to $125,300. Increases for posts of $826,500 are attributed to higher standard salary costs and lower vacancy rates than initially anticipated. The amount of $125,300 for other objects of expenditure reflects increases for changes in inflation rates of $178,600, partly offset by decreases of $53,300 for changes in exchange rates.

47. The lower vacancy rates for posts in the Professional category and above account for the largest increase. The new positions approved in the context of the initial budget for the biennium 1994-1995 and previous vacancies were filled earlier than initially anticipated, resulting in additional resource requirements. Increases for other object of expenditures are the net result of adjustments for two categories of duty stations. Limited adjustments are required for duty stations with rather stable exchange and inflation rates, including some increases in exchange rates as a result of a strengthening of the national currency. For duty stations with volatile inflation and exchange rates, considerable recosting increases for higher inflation rates were calculated, largely offset by decreases in the exchange rate. More details on the recosting for such duty stations is provided in part one, section VI.

C. Project activities

48. The 1994-1995 revised budget for project activities amounts to $161,704,700. This compares with the approved initial budget of $160,014,300 for the biennium 1994-1995, and reflects an increase of $1,690,400 for recosting. The amount of $1,690,400 includes increases resulting from changes in inflation of $3,779,600, partly offset by decreases for movements of exchange rates amounting to $2,089,200.

49. A comparison by region provides the following results. For Africa, the increase of $371,700 for recosting includes an increase of $1,737,900 for changes in inflation, partly offset by a decrease for changes in exchange rates of $1,366,200. For Asia and the Pacific, the increase of $95,600 for recosting includes an increase of $199,200 for changes in inflation, partly offset by a decrease for changes in exchange rates of $103,600. For Europe and the Middle East, the increase of $99,400 for recosting includes an increase of $47,800 for changes in exchange rates and of $51,600 for changes in inflation. For Latin America and the Caribbean, the increase of $881,200 for recosting includes an increase of $1,558,100 for changes in inflation, partly offset by a decrease for changes in exchange rates of $676,900. For global activities, the increase of $242,500 for recosting includes an increase of $232,800 for inflation and of $9,700 for changes in exchange rates.

50. For project activities, no adjustments of standard salary costs are applied, since the staff component is implemented to a large extent by executing agencies outside the United Nations system. Instead, this component is included in the exchange rate and inflation adjustments. The recosting of those rates follows a similar pattern as outlined above in paragraph 46 for field operations. For countries with volatile exchange and inflation rates, a recosting increase is introduced for inflation adjustments, offset by a decrease for exchange rates. The general picture differs somewhat between regions, with a particularly high rate for recosting in Africa and only small adjustments in Asia and the Pacific.

IX. EXPENDITURE ESTIMATE FOR 1994

51. The proposed revised budget for the biennium 1994-1995 amounts to $190,641,600. The estimated expenditures for 1994 amount to $82,728,500, which corresponds to 43.3 per cent of the proposed revised budget for the biennium 1994-1995. A comparison between the 1994-1995 revised budget and the 1994 expenditure estimate is provided in table 7.

52. Expenditures in 1994 for headquarters and field operations are in accordance with budgetary allocations, taking into account that expenditures for the second year of the biennium are expected to increase as a result of inflation. Current expenditure for project activities is somewhat below target, with 1994 results differing considerably between regions. Expenditures in 1994 for global activities as well as Latin America and the Caribbean have progressed in accordance with initial expectations. For Africa, Asia and the Pacific as well as Europe and the Middle East, expenditures for 1994 have not reached a comparable level. Programming efforts during 1993 and 1994 are expected to result in increased expenditures in 1995 for Asia and the Pacific, as well as for Europe and the Middle East. Additional efforts will be required to meet the 1994-1995 expenditure targets for Africa, in particular as a result of the weak absorptive capacity in that region.

Table 7. 1994-1995 revised budget and 1994 expenditure estimate

Programme and region	1994-1995 revised budget (thousands of US$)	1994 expenditure estimate (thousands of US$)	1994 expenditure estimate as percentage of revised budget
	A. Headquarters		
Policy-making organs	128.8	54.0	41.9
Executive direction and management	2 922.7	1 349.7	46.1
Programme of work	7 903.1	3 856.3	48.7
Programme support	4 192.0	2 064.8	49.2
Total, A	15 146.6	7 324.7	48.3
	B. Field operations		
Africa	2 521.8	1 193.7	47.3
Asia and the Pacific	5 057.0	2 299.1	45.4
Europe and the Middle East	1 135.8	532.6	46.8
Latin America and the Caribbean	5 075.7	2 711.7	53.4
Total, B	13 790.3	6 737.1	48.8
	C. Project activities		
Africa	13 333.0	3 520.9	26.4
Asia and the Pacific	49 764.4	19 550.2	39.2
Europe and the Middle East	11 090.8	4 128.5	37.2
Latin America and the Caribbean	65 046.2	30 718.8	47.2
Global	22 470.3	10 748.3	47.8
Total, C	161 704.7	68 666.7	42.4
TOTAL, A, B and C	190 641.6	82 728.5	43.3

Part Three

PROPOSED OUTLINE FOR THE BIENNIUM 1996-1997

X. OVERVIEW

53. The 1996-1997 outline for the Fund of UNDCP amounts to $151,172,100. This compares to $190,641,600 for the 1994-1995 budget, reflecting an increase for recosting of $10,530,500 and a resource decrease in real terms of $50,000,000, or 26.2 per cent. The decrease in real terms of $50,000,000 includes a reduction of $1,500,000 in field operations and of $48,500,000 in project activities. Requirements for headquarters remain unchanged in real terms. The present outline provides the basis for submitting the proposed initial programme budget for the biennium 1996-1997 to the Commission at its reconvened thirty-eighth session in December 1995.

54. The substantial reduction of 26.2 per cent in real terms in budgetary allocations for the biennium is necessitated by a decrease in available resources caused by a gradual depletion of the fund balance and by a projected overall decline in voluntary contributions in dollar terms. A detailed illustration of the financial situation is provided in part one, section III, of the present report. The need for fiscal discipline means that UNDCP must adjust its activities in order to keep within projected budget totals. But a reduction of the magnitude of 26.2 per cent in the budget for the biennium cannot be accommodated without making severe cuts in, and in some cases discontinuing altogether, a number of programmes, projects and other activities. Many of these are in geographical areas or in policy and technical spheres that individual Governments and the Commission have consistently identified as being priorities. Paragraphs 62 to 93 set out various implications of the necessary reductions. Should additional resources be forthcoming prior to the presentation of the proposed initial programme budget for the biennium 1996-1997, essential activities will be reactivated or strengthened and corresponding increases will be reflected in the proposed budgetary allocations in accordance with the approved priorities for the outline for the biennium 1996-1997.

55. Within the severe limits imposed by the projected reduction of resources, the outline for the biennium 1996-1997 outline has been formulated in accordance with the strategic priorities of UNDCP, which are anchored in the main legislative mandates. Those mandates include: programme 28 (international drug control) of the medium-term plan for the period 1992-1997,[2] General Assembly resolution 48/12 of 9 November 1993 on measures to strengthen international cooperation against the illicit production, sale, demand, traffic and distribution of narcotic drugs and psychotropic substances and related activities; the Political Declaration and Global Programme of Action adopted by the General Assembly at its seventeenth special session, devoted to the question of international cooperation against illicit production, supply, demand, trafficking, and distribution of narcotic drugs and psychotropic substances;[3] the United Nations System-Wide Action Plan on Drug Abuse Control;[4] the Comprehensive Multidisciplinary Outline of Future Activities in Drug Abuse Control adopted by the International Conference on Drug Abuse and Illicit Trafficking.[5]

56. It is in close consultation with Member States, and more particularly under the auspices of the Commission, that the strategy which underpins the outline is elaborated within the main legislative mandates. The components of the strategy can be broadly described as follows:

(a) To pursue a globally balanced approach, reflected most clearly in an increasing emphasis on demand reduction activities, in particular drug abuse prevention;

(b) To support governments in their own efforts to develop a comprehensive approach, particularly through the adoption of drug control master plans which, as problem assessment and priority-setting documents, form the foundation for effective drug control at the national and regional levels;

(c) To promote and support subregional cooperation, based on intercountry arrangements and joint implementation;

(d) To strengthen the catalytic function that UNDCP is called upon to perform to establish synergies among the United Nations agencies and other partners in development, including international financial institutions, and to relate the issue of drug abuse to socio-economic development concerns;

(e) To mobilize governmental and non-governmental partners in the field of drug control.

57. To enhance the effectiveness of the United Nations in drug control, UNDCP performs two main functions which are supported largely through the budget of the Fund. First, UNDCP serves as a centre of competence in international drug control. That includes the provision of expertise and reference information and the monitoring and analysis of developments in order to recommend appropriate action. Secondly, UNDCP provides technical cooperation mainly to developing countries within its areas of competence so as to enable Governments to effectively implement, at the individual and intercountry levels, the Global Programme of Action.

58. The first function is jointly covered under the Fund and the regular budget of the United Nations. In addition, under the regular budget, UNDCP fulfils, on behalf of the Secretary-General, responsibilities deriving from international treaties and resolutions of United Nations organs relating to international drug control. The regular budget also covers the secretariat and substantive services to the Commission and its subsidiary bodies, such as the regional meetings of the Heads of National Drug Law Enforcement Agencies (HONLEA), as well as to the International Narcotics Control Board (INCB), with due regard to treaty arrangements. The second function, relating to technical cooperation, is fully supported by the Fund of UNDCP.

59. The distinction in funding is reflected also in the organization of UNDCP, with the Division for Treaty Implementation and Support Services (DTISS) being mainly funded under the regular budget and the Division for Operational Activities and Technical Services (DOATS) and field operations mainly supported under the budget of the Fund. Both areas of activity are closely related and complement each other. Expertise available in DOATS thanks to the Fund of UNDCP is relied upon in the preparation of many of the geographically defined elements of the annual reports of INCB, as well as reports and discussion papers submitted to the Commission. The meetings of HONLEA also benefit from contributions by DOATS. Collaboration between the legal services of DTISS and the legislation development programme of DOATS represents a creative interplay between activities to monitor adherence to the drug control conventions and activities to support Governments in the development of national legislation. In that regard, a considerable quantity of on-the-spot knowledge developed by the field office network benefits mandated, regular budget activities of the Programme. The field network encourages Governments to reply to the annual reports questionnaire provided for under the regular budget of UNDCP, and assists them in improving their own data collection and illicit drug statistics.

60. During the biennium 1996-1997, decentralization of operational concerns and delegation of authority to the field in programme design and management will receive greater emphasis. A major redeployment of resources was already approved in the context of the initial programme budget for the biennium 1994-1995 with the expansion of the field office network. In terms of the 200 posts for international and local staff supported under the Fund of UNDCP, the headquarters share decreased from 39 to 35 per cent, with a corresponding increase in the share for field operations from 61 to 65 per cent. The 71 posts funded under the regular budget of the United Nations mostly cover the Secretariat and substantive services for the Commission and INCB. Thus, they cannot be located outside headquarters.

61. A summary of the outline for the biennium 1996-1997 is shown in table 8. Table 9 presents the 1996-1997 outline for project activities by sector and region.

Table 8. Summary of 1996-1997 outline
(Thousands of United States dollars)

Regular budget of UNDCP	Fund of UNDCP						
			1996-1997 Resource growth				
1994-1995 revised budget	Segment	1994-1995 revised budget	Amount	Rate (%)	Total before recosting	Recosting	1996-1997 outline budget
14 693.9	Headquarters	15 146.6	-	-	15 146.6	871.5	16 018.1
-	Field operations	13 790.3	(1 500.0)	(10.9)	12 290.3	1 573.1	13 863.4
-	Project activities	161 704.7	(48 500.0)	(30.0)	113 204.7	8 085.9	121 290.6
14 693.9	TOTAL	190 641.6	(50 000.0)	(26.2)	140 641.6	10 530.5	151 172.1

Note: Negative values are indicated in parentheses.

Table 9. 1996-1997 outline for project activities by sector and region
(Thousands of United States dollars)

Sector and region	1994-1995 revised budget	1996-1997 Resource growth Amount	Rate (%)	Total before recosting	Recosting	1996-1997 outline budget
Sector						
Control measures	38 185.6	(6 000.0)	(15.7)	32 185.6	2 201.8	34 387.4
Demand reduction	46 858.5	(7 500.0)	(16.0)	39 358.5	2 820.4	42 178.9
Supply reduction	45 145.8	(14 000.0)	(31.0)	31 145.8	2 233.5	33 379.3
Multisector	31 514.8	(21 000.0)	(66.6)	10 514.8	830.2	11 345.0
Total	161 704.7	(48 500.0)	(30.0)	113 204.7	8 085.9	121 290.6
Region						
Africa	13 333.0	(3 500.0)	(26.3)	9 833.0	902.3	10 735.3
Asia and the Pacific	49 764.4	(10 500.0)	(21.1)	39 264.4	2 812.9	42 077.3
Europe and the Middle East	11 090.8	(500.0)	(4.5)	10 590.8	741.9	11 332.7
Latin America and the Caribbean	65 046.2	(19 000.0)	(29.2)	46 046.2	3 167.5	49 213.7
Global	22 470.3	(15 000.0)	(66.8)	7 470.3	461.3	7 931.6
Total	161 704.7	(48 500.0)	(30.0)	113 204.7	8 085.9	121 290.6

Note: Negative values are indicated in parentheses.

XI. HEADQUARTERS

62. Headquarters resources are expected to increase from $15,146,600 for the biennium 1994-1995 to $16,018,100 for the biennium 1996-1997, reflecting an increase for recosting of $871,500. No resource increase in real terms is envisaged.

63. Whereas the outline for headquarters is submitted at the maintenance level, major adjustments within the outline are proposed. They are meant to strengthen resource mobilization and inter-agency coordination. The major share of resources of the Fund, however, will continue to be allocated to two functions: establishing and maintaining a centre of competence on international drug control and backstopping technical cooperation projects. A redeployment of resources is proposed between those two functions.

64. In accordance with repeated calls by the Commission, it is proposed to further develop UNDCP as a centre of competence on international drug control. In particular, UNDCP is required to carry out several normative and reference functions and to play a central role in monitoring developments and recommending appropriate action. A number of mandated activities of global concern in such areas as money-laundering, precursors control, forensic chemistry and toxicology laboratory services are included. By their nature, those activities must be centrally located. Resources will be redeployed from other services at headquarters to the Technical Services Branch of DOATS to better tackle those issues and strengthen applied research and the promotion of original research and scientific activities. Added emphasis will be placed on central data collection, analysis and dissemination of essential technical information as well as the design and production of information tools.

XII. FIELD OPERATIONS

65. Resources for field operations are expected to increase from $13,790,300 during the biennium 1994-1995 to $13,863,400 during the biennium 1996-1997. That figure reflects an increase for recosting of $1,573,100 and a decrease in real terms of $1,500,000, or 10.9 per cent.

66. The justification for opening, closing or strengthening field offices derives from the drug control situation in the country or region concerned. Current responsibilities include assistance to Governments in developing and implementing national drug control policies and projects and the promotion of adherence to the international drug control treaties. In countries that receive limited technical assistance and have a worsening drug control problem, UNDCP offices are required to assist in the elaboration of new drug control projects rather than to support existing ones. In other cases, expanding project activities in major geographical areas make it necessary to strengthen existing offices.

67. The role of the UNDCP field office is expected to undergo a reorientation during the current biennium in line with developments in the United Nations context. The field offices will play an enhanced role in fostering subregional cooperation, an undertaking which requires major political commitment on the part of the countries concerned. Field offices will increasingly involve themselves in studies and serve as collectors of data for analysis at headquarters and further use by the United Nations system. Inter-agency cooperation will also be fostered through specific operational initiatives at the field level. Following the spirit of the working arrangement between the United Nations Development Programme (UNDP) and UNDCP, more effective use will also be made of the UNDP field office network where UNDCP offices do not exist.

68. As a consequence of the expected decline in resources, UNDCP will consider the need to adjust its field capacity in various parts of the world. In Africa, the field office network will undergo a restructuring process. The UNDCP regional presence in Kenya and its country-based presence in Nigeria will remain unchanged. However, instead of maintaining separate offices in west and central Africa, UNDCP plans to combine its presence in one location. The consolidation will release resources for the possible establishment of a field office in North Africa, where the magnitude and subregional dimension of the problem of drug abuse and trafficking appear to call for greater attention at the field level. In Asia, the emergence of a pattern of drug cultivation in, and trafficking through, Viet Nam may require a presence in that country, through the establishment of a field office drawing on specialists from the UNDCP Regional Centre at Bangkok. At the same time, the size of other offices in the region will be reviewed, as the Regional Centre at Bangkok is becoming the active promoter of a subregional programme. Considering the serious difficulties in the area, it may become essential to ensure a strong presence in the heartland of the Commonwealth of Independent States. As for Latin America and the Caribbean, no additional country or regional offices are foreseen.

XIII. PROJECT ACTIVITIES

69. Resources for project activities will decrease from $161,704,700 during the biennium 1994-1995 to $121,290,600 during the biennium 1996-1997, reflecting an increase for recosting of $8,085,900 and a reduction in real terms of $48,500,000, or 30.0 per cent. The proposals take into account the availability of resources, the priorities of UNDCP and global developments in the field of drug control.

70. The worldwide supply of illicit heroin appears set to continue its upward trend, with notable increases in Afghanistan and ominous prospects for additional poppy cultivation in the member States of the Commonwealth of Independent States in central Asia. Although less dramatic, the rate of increase in coca production is being maintained, with Colombia likely to displace Bolivia as the world's second largest producer. Both trends are discernable despite significant successes in law enforcement and alternative development efforts, which, perforce, could not always reach the areas of most intensive production. Current knowledge seems to trail behind the diversity and extent of production of an ever-increasing variety of psychotropic substances and illicit designer drugs.

71. International efforts must go beyond initiatives to limit the spread of controlled substances. Drug abuse should also be seen as a cause or syndrome of social malaise and development problems. Efforts are required to tackle the root causes of drug abuse. Agencies in the United Nations common system and other international development agencies will therefore be encouraged to assess the problem within the overall context of development and to incorporate the drug abuse dimension in health and education as well as general human development programmes.

72. As regards the mechanisms through which technical cooperation assistance is provided, UNDCP expects to scale down and significantly reduce self-executed projects. With a limited headquarters and field operations capability, UNDCP is not adequately equipped to operate as an executing agency. It will therefore make increased use of the implementation capabilities of other agencies. Direct execution may be retained for special cases, such as the pursuit of innovative approaches to collaboration with non-governmental organizations in the context of mobilizing of civil society.

A. Sectoral description

73. The sectoral presentation of project activities reflects the following allocations: $34,387,400 for control measures, a decrease in real terms of $6,000,000, or 15.7 per cent; $42,178,900 for demand

reduction, a decrease in real terms of $7,500,000, or 16.0 per cent; $33,379,300 for supply reduction, a decrease in real terms of $14,000,000, or 31.0 per cent; and $11,345,000 for multisectoral activities, a decrease in real terms of $21,000,000, or 66.6 per cent.

74. Regarding control measures, emphasis will remain on intercountry and cross-border cooperation in law enforcement. That will largely develop within the context of subregional cooperation initiatives already under way. Every effort will be made to retain existing levels of assistance in control activities in the priority areas of the member States of the Commonwealth of Independent States in central Asia, as well as Africa, central America and the Amazon basin.

75. In demand reduction, emphasis will shift to prevention campaigns and the development of modular curriculum components. Greater efforts will be made to integrate demand reduction concerns into health and education programmes and social programmes targeting youth and other vulnerable groups, as part of an intensified collaborative effort with relevant agencies in the United Nations system and other partners.

76. With regard to supply reduction, there will be a decrease in funding for alternative development programmes. Instead of traditional alternative development, which comprised large social and physical infrastructure investments, the Programme will promote the incorporation of the drug dimension into mainstream national rural development programmes, with a view to replicating and expanding successful pilot schemes. UNDCP will therefore stress its role as advocate, technical partner, coordinator and partial source of funding. Emphasis will be on the monitoring of illicit cultivation, on the strengthening of community commitment towards the elimination of illicit cultivation and on the design of integrated area development schemes addressing drug abuse in a comprehensive manner and lending themselves to grant and loan funding by bilateral and multilateral donors.

77. Finally, as pertains to multisectoral activities, globally applicable resources will be used to enhance national capabilities in drug control as well as to effectively introduce successful model responses. UNDCP will concentrate on applied research and the promotion of country-level studies to allow Governments and cooperation partners to better understand the drug phenomenon in all its ramifications.

B. Regional presentation

78. The regional presentation of project activities reflects the following allocations: $10,735,300 for Africa, a decrease in real terms of $3,500,000, or 26.3 per cent; $42,077,300 for Asia and the Pacific, a decrease in real terms of $10,500,000, or 21.1 per cent; $11,332,700 for Europe and the Middle East, a decrease in real terms of $500,000, or 4.5 per cent; $49,213,700 for Latin America and the Caribbean, a decrease in real terms of $19,000,000, or 29.2 per cent; and $7,931,600 for global activities, a decrease in real terms of $15,000,000, or 66.8 per cent.

1. Africa

79. Given the under-developed institutional base to combat the drug phenomena in many African States, UNDCP will further concentrate on building up institutional capabilities and intensive training, together with the provision of support to national drug control services. UNDCP will also continue: to promote national drug control master plans; to provide legal assistance to Governments, enabling them to develop and implement updated legislation and comply with the requirements of international drug control conventions, especially as regards the rising threat of psychotropic and other synthetically manufactured substances; and to encourage Governments to introduce preventive education in school curricula.

80. In order to secure an insight into the sociological motivations and impact of drug abuse and trafficking, UNDCP is also planning to undertake studies on the drug-trafficking networks in Africa and the interaction between economic disruptions, local conflicts, refugee situations and the drug issue. UNDCP will promote inter-agency cooperation as well as collaboration among countries in the region through the implementation of multisectoral programmes based in subregions and the harmonization at both the continental and the subregional level of government policies and action plans. Institutions such as the Organization of African Unity, the Economic Commission for Africa, the Economic Community of West African States, the Common Market of Eastern and Southern Africa, and the Arab Maghreb Union are seen as suitable vehicles for such cooperation. Furthermore, UNDCP will continue to promote the relationship between South Africa and the States of southern Africa.

81. On the other hand, the reduction in resources may require a drastic curtailment of follow-up activities which would have otherwise been undertaken. Such activities include those related to recommendations and plans of action of demand reduction forums and subregional workshops to strengthen cooperation with non-governmental organizations and cross-border and judicial cooperation. In addition, it will neither be possible to conduct rapid assessment studies in priority countries, nor to assist in the elaboration of follow-up demand reduction programmes in countries where such studies have been completed, such as Cameroon and Kenya. Other activities affected may include: the replication of successful undertakings from one region to another in institution building, training and cooperation among law enforcement agencies; the provision of adequate technical cooperation support to the countries of the Maghreb, which requires new programmes at the national and subregional levels; and the provision of non-expendable equipment in projects across the board.

2. Asia and the Pacific

82. In the Asia and the Pacific region, subregional technical cooperation will be promoted during the biennium 1996-1997 with intergovernmental organizations such as the South Asian Association for Regional Cooperation, the Economic Cooperation Organization and the Association of South-East Asian Nations to harmonize narcotics legislation, money-laundering, control of precursor chemicals, and training in the reduction of drug supply and demand. UNDCP will also expand the existing subregional cooperation involving the Islamic Republic of Iran and Pakistan; renew its efforts in Afghanistan through a review of its approach in connection with the rehabilitation and development activities of the United Nations in that country; and promote cooperation between China, Lao People's Democratic Republic, Myanmar and Thailand, with the possible inclusion of other countries. Support will be provided to bilateral agreements between India and Myanmar, as well as between India and Pakistan.

83. Activities in supply reduction will continue in Lao People's Democratic Republic, Myanmar, Pakistan and Viet Nam with a more active involvement of local authorities. Identification and measurement of illicit opium cultivation will be explored further, including the feasibility of remote sensing and studies on the illicit opiate industry. Activities in demand reduction will be strengthened through country and subregional programmes to meet the challenge of serious drug abuse problems, with a special focus on building up national capabilities and the involvement of non-governmental organizations. Strategic planning, advocated by UNDCP through the master plan approach, is expected to be further pursued by Governments, and the majority of countries should be implementing drug control efforts in accordance with their national plans during the biennium 1996-1997.

84. It is especially UNDCP support to the implementation of national plans that will be affected by budgetary constraints. The limitations will extend to countries such as Afghanistan and Viet Nam, where new drug control strategies and programmes are currently being drawn up. Similarly, a reduction in resources during the biennium 1996-1997 would severely constrain the ability of UNDCP to respond

to requests for essential expertise and training required by the specific programmes of action that Governments are agreeing upon as a consequence of the memorandums of understanding and other subregional agreements recently concluded with UNDCP support. Finally, cuts would limit the ability of UNDCP to take effective and timely initiatives to control drug trafficking in the north-east Asia subregion.

3. Europe and the Middle East

85. To combat the increasing drug-related crime in central Europe, UNDCP, in cooperation with the Crime Prevention and Criminal Justice Branch of the Secretariat, will be pursuing initiatives to build up capabilities and enhance control measures and cross-border cooperation on a subregional basis between the law enforcement agencies of Czech Republic, Hungary, Poland and Slovakia, and between those of countries on the Balkan route. Demand reduction activities will be based on the results of ongoing projects with the Pompidou Group of the Council of Europe, such as a multi-city study in central and eastern Europe, with the European Centre for Social Welfare Policy and Research, and with the International Labour Organization.

86. In the western part of the Commonwealth of Independent States, project proposals will include issues related to money-laundering and corruption, and will help to enhance the role of the police in a democratic society. The explosive development of the drug phenomenon in the member States of the Commonwealth of Independent States in central Asia prompted the international community and UNDCP to provide an immediate assistance package. Project activities already initiated in central Asia will need to be broadened and developed into a comprehensive and coherent programme of assistance. An expansion is foreseen in research projects on biological means and environmentally safe methods of eradicating illicit crops and in subregional projects of common interest in central Asia. Law enforcement capabilities and demand reduction measures are to be strengthened in Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.

87. The programme of assistance in Lebanon will be further developed. UNDCP will expand its area of coverage to the territories occupied by Israel through activities aimed at institution building, training and demand reduction. In addition, subregional activities will be developed.

88. UNDCP programmes in Europe and the Middle East, while experiencing a modest decline, will gradually shift their focus towards a subregional approach. In the case of central and eastern Europe especially, a number of countries will benefit from subregional initiatives both in law enforcement and demand reduction. The UNDCP coordination mechanism on drug control assistance to eastern Europe, the Commonwealth of Independent States and the Baltic States has helped to determine the nature, extent and type of technical cooperation needed in the countries concerned against the background of a generally weak institutional base. As a consequence, specific projects concentrating on trafficking, interdiction and prevention have been prepared for States in central Asia. In addition, new programme requirements are being explored and identified in a number of countries in the region of the Caucasus. The budget level foreseen for the biennium will permit UNDCP to continue at a modest level with no increases in programming capacity.

4. Latin America and the Caribbean

89. UNDCP operational activities in the region will consolidate current efforts designed to: strengthen national drug control institutions and planning through managerial training; promote and coordinate strategic and operational linkages with Governments, relevant bodies in the United Nations system, international financial institutions and other partners, in order to incorporate the drugs dimension in

mainstream national rural development, health and education programmes; facilitate regional and subregional cooperation in drug control, especially through joint training and information exchange in the fields of demand reduction and control measures; and foster better research and awareness-creation among the civil society as regards the economic and social impact of drugs, as well as other negative influences arising from an illicit drugs industry.

90. Demand reduction activities will emphasize primary prevention, the collection and harmonization of data and related analyses designed to monitor trends. Provision has also been made for work with local public and non-profit organizations to address the needs of high-risk groups, including street children, intravenous drug users and women in urban slums. The control measures programme will assist in the implementation of drug control legislation and its harmonization among countries, and provide operational and investigative training to judicial and law enforcement entities, drug control police, customs, forensic laboratories, precursor control departments and banking regulatory commissions. The proposed supply reduction programme aims at assisting Andean countries producing illicit crops in the design, negotiation, implementation and evaluation of government-led alternative development programmes containing specific drug control components. Work is expected particularly in connection with programme pre-feasibility studies, donor mobilization, and international round tables to promote alternative development among public and private sector entities nationally and internationally. Programmes for joint training in the field of control measures and technical information exchange will be favoured.

91. The main impact of the budgetary reductions will be felt in alternative development programmes in the Andean region. UNDCP support will be curtailed in respect of both projects aimed at the consolidation of current activities and government programmes designed to replicate and expand successful alternative approaches. Activities in support of drug demand reduction and control are expected to maintain current levels, but they will be stretched over a larger number of countries. Greater emphasis will be placed on human resources development and training, whereas funding for infrastructure and equipment for capability-building will be severely curtailed.

5. Global activities

92. UNDCP interventions at the global level will include periodic expert forums and consultations organized along cultural and regional lines. They have proven their importance as a platform for the advancement of strategies and technical concepts of drug abuse control. Over the past few years, a series of demand reduction forums have resulted in the valuable sharing of experience between professionals in the field, in better information about the situation in different countries and in close professional networking. In view of the much tighter resources, such events will continue during the biennium 1996-1997 at a lower frequency, and concentrate on the refinement of demand reduction strategies and technical responses. Several promising initiatives have been launched at a global level together with the Programme on Substance Abuse of the World Health Organization to improve knowledge about particular aspects of the drug abuse phenomenon, with a view to a better-coordinated response through prevention, treatment and rehabilitation, building on the strengths of both organizations. To the extent permitted by budgetary provisions, those initiatives will be continued, with emphasis on the concerns of developing countries.

93. UNDCP will carefully evaluate its experience with ground surveys and the interpretation of satellite imagery used for the monitoring of illicit crop cultivation. Practical applications and related technical cooperation efforts, important as they are, for budgetary reasons will have to be given a lower priority in favour of continued cooperation on the development of legislation, measures against the concealment of proceeds from illicit trafficking and control of chemical precursors. Demonstration projects on

control of chemical precursors have met with appreciable initial results. Any further replication of such projects during the biennium 1996-1997, or development of the results of projects into specific programmes for improving the effectiveness of precursor control, will depend on the availability of specifically earmarked contributions from donor countries. The current programme of advice on the development of legislation will be integrated into the various programmes of subregional cooperation in order to maximize its impact. The hitherto global range of activities in that domain will need to be prioritized in future in line with the narrower resource base. Work will continue on the collection and analysis of data on demand and supply reduction in order to improve the quality of information available both to UNDCP and to Member States. UNDCP will actively pursue opportunities for more effective cooperation with the Crime Prevention and Criminal Justice Branch.

Notes

[1]See Official Records of the General Assembly, Thirty-second Session, Supplement No. 8 (A/32/8).

[2]See Official Records of the General Assembly, Thirty-seventh Session, Supplement No. 6 (A/47/6/Rev.1).

[3]Resolution S-17/2, annex, of 23 February 1990.

[4]E/1990/39 and Corr.1 and 2 and Add.1.

[5]See Report of the International Conference on Drug Abuse and Illicit Trafficking, Vienna, 17-26 June 1987 (United Nations publications, Sales No. E.87.I.18), chap. I, sect. A.

Glossary

Associated organization. An organization that participates in association with the executing organization in the implementation of UNDCP-funded projects.

Executing organization. An entity designated by the Executive Director to implement a UNDCP project. Executing organizations include: for national execution, the recipient Government and non-governmental organizations; for agency execution, United Nations entities and specialized agencies, intergovernmental organizations and non-governmental organizations; and for UNDCP execution, UNDCP itself. The executing organization is responsible for the overall management of the project, and is responsible and accountable for the delivery of output, achievement of project objectives and the use of UNDCP resources.

Final budget. Budget estimates following the second and final recosting of the initially approved biennial budget during the end of the second year of the biennium. Expenditures for the biennium are compared to the final budget to determine overexpenditure and underexpenditure.

General-purpose contribution. Voluntary contribution made available by donors for use compatible with the terms of reference of the trust fund. The use of the funds is approved by the Commission on Narcotic Drugs within the context of the biennial programme budget.

Implementation rate. Programme expenditure for a given year expressed as a percentage of the maximum level of the approved budget to be reached for that year in order to achieve the expenditure target.

Initial budget. Budget estimates approved by the Commission prior to the start of the biennium.

National execution. The arrangement whereby an entity located in the recipient country is entrusted with the responsibility for executing UNDCP-assisted projects.

Pipeline. The backlog of proposed projects for which assistance is requested.

Programme support. In accordance with the presentation of the regular budget, programme support includes financial, personnel and general services.

Programme support costs. Administrative and technical costs incurred in the implementation of programmes and projects financed from general-purpose or special-purpose contributions.

Recosting. Adjustment of budget estimates for cost factors over which the Executive Director has little, if any, control, but which nevertheless have an impact on overall resource requirements for the biennium budget. Such cost factors include, for example, decisions on staff entitlement and exchange and inflation rate movements. Recosting calculations can also include special adjustments to reflect different concepts of budgetary presentation that do not have implications for actual resource requirements.

Reserve. An amount equal to 15 per cent of estimated annual expenditures which is maintained during the implementation of extrabudgetary activities to cover shortfalls and to meet the final expenditure, including any liquidating liabilities.

Resource growth. Real increases or decreases in requirements, representing the controllable elements in the budget estimates.

Revised budget. Budget estimates following the first recosting of the initially approved biennial budget during the end of the first year of the biennium.

Special-purpose funds. Voluntary contributions made available by donors for specific purposes compatible with the terms of reference of trust funds. The use of the funds is approved by the Commission within the context of the biennial programme budget. Individual reports on the use of special-purpose contributions are made available to the donor of the funds.